

Message Text

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PAGE 01 OSLO 01041 020744Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-02 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-15 OES-07
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TO SECSTATE WASHDC 1056
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY STOCKHOLM
AMEMBASSY COPENHAGEN

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EMBASSY FOR USOECD

E.O. 11652: N/A
TAGS: ENRG, EIND, EALR, NO
SUBJECT: NORWAY EMPHASIZES BUY-NORWEGIAN IN OFFSHORE DEVELOPMENT

REF: OSLO 5354

1. NORWEGIAN OIL AND ENERGY MINISTER BJARTMAR FJERDE IN A SERIES OF RECENT PUBLIC STATEMENTS HAS ADDRESSED THE IMPLICATIONS OF HIS GOVERNMENT'S ECONOMIC PROGRAM OVER THE NEXT 12-18 MONTHS FOR DEVELOPMENTS IN THE OFFSHORE OIL SECTOR.

2. GJERDE EXPLAINS THAT PROPOSED WAGE CONSTRAINTS AND A VARIETY OF FISCAL AND MONETARY RESTRICTIONS AIMED AT DAMPENING CONSUMER DEMAND ARE AIMED AT HOLDING DOWN UNIT COST INCREASES IN ORDER TO RE-ESTABLISH NORWAY'S COMPETITIVE POSITION INTERNATIONALLY. THE ECONOMIC PROGRAM INCLUDES PHASING OUT EMPLOYMENT-MAINTAINING SUBSIDIES

TO ENCOURAGE THE ECONOMIC RESTRUCTURING THAT MUST COMPLEMENT ANY
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RELATIVE IMPROVEMENT IN PRICES. THUS, AS GJERDE PUTS IT, NORWAY FACES QUOTE A MODERATE INCREASE UNQUOTE IN UNEMPLOYMENT BEGINNING WITH THE LATTER HALF OF 1978. THIS IS EXPECTED TO RESULT FAIRLY QUICKLY IN INCREASING PRESSURE ON THE GON (A SOCIALIST GOVERNMENT WHICH MUST ACCEPT JOBS FOR EVERYONE AS SACROSANCT) TO TAKE REMEDIAL STEPS.

3. OFFSHORE ACTIVITY IS EXPECTED TO RELIEVE A GOOD PART OF THIS INITIAL PRESSURE; GJERDE STATES. IN THE NEAR TERM, THE GON LOOKS TO THE CONSTRUCTION OF THE STATFJORD B PLATFORM AND VALHALL A DEVELOPMENT TO LEAD TO QUOTE SUBSTANTIAL TASKS FOR NORWEGIAN INDUSTRY UNQUOTE. NORWAY'S STARTING POINT IS THAT OIL COMPANIES OPERATING ON THE NORWEGIAN SHELF ARE QUOTE OBLIGATED TO ENGAGE NORWEGIAN INDUSTRY AND NORWEGIAN WORKERS. UNQUOTE

4. GJERDE POINTS OUT THAT ABOUT 30 PERCENT OF OFFSHORE DEVELOPMENT CONTRACTS WENT TO NORWEGIAN INDUSTRY IN 1975; THAT THIS FIGURE INCREASED TO 40 PERCENT IN 1976 AND WAS JUST ABOVE 50 PERCENT IN 1977. HE THEN NOTES THAT THE GON'S IMMEDIATE AIM IS TO INCREASE THIS PERCENTAGE TO APPROXIMATELY 60 PERCENT. HE ACCEPTS THAT THERE WILL ALWAYS BE SOME GOODS AND SERVICES NOT OBTAINABLE IN NORWAY, BUT EXPLAINS THAT A NEWLY ESTABLISHED REGISTERING AND REPORTING SYSTEM FOR TENDERS, WHICH MAKES POSSIBLE THE FOLLOWING OF PLACEMENTS OF CONTRACTS, IS DESIGNED TO ENSURE THAT NORWAY GETS WHAT HE TERMS A FAIR SHARE OF NEW CONTRACTS. HE STRESSES THE IMPORTANCE TO THE GON OF SEEING NORWEGIAN INDUSTRY INCLUDED AT LEAST AT THE BIDDING STAGE ON ALL DEVELOPMENT WORK.

5. IN CASES WHERE NORWEGIAN SUPPLIERS EARLY ON DROP OUT OF THE RUNNING, IT IS TO BE EXPECTED THAT THE GON WILL ASK FOR FURTHER INFORMATION. GJERDE ACKNOWLEDGES THAT WHILE PRICE, DELIVERY TIME, QUALITY AND SERVICE CONTINUE TO FORM A BASIS FOR ASSESSING BIDS, UNCLASSIFIED

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A QUOTE NARROW PRICE EVALUATION UNQUOTE WILL NOT BE ACCEPTABLE.

6. COMMENT: THE GON WANTS FOREIGN OIL COMPANIES TO ACCEPT A RESPONSIBILITY FOR AND TO PARTICIPATE IN NORWEGIAN INDUSTRIAL DEVELOPMENT. GJERDE DOES NOT PUT TOO FINE A POINT ON IT WHEN HE SAYS THAT A COMPANY'S ABILITY AND WILLINGNESS TO FULFILL THE GON'S REQUIREMENTS WILL BE OF GREAT IMPORTANCE WHEN NEW LICENSE AWARDS ARE ASSESSED. THE U.S. COMPANIES OPERATING HERE LARGELY UNDERSTANDS THIS -- AND NEW COMPANIES LEARN QUICKLY -- AND MOST WORK RELATIVELY WILLINGLY WITHIN THE NORWEGIAN RULES OF THE GAME. U.S. COMPANIES TRY TO AVOID SITUATIONS REFLECTING WHAT GJERDE DESCRIBES AS QUOTE THE SELF-SERVING ATTITUDE OF SOME FOREIGN SUPERVISORY PERSONNEL WHICH IS NOT IN LINE WITH WHAT IS CUSTOMARY IN NORWEGIAN INDUSTRIAL LINE AND LABOR RELATIONS. UNQUOTE MOST COMPANIES UNDERSTAND THAT THEY WILL HAVE TO RESPOND PARTICULARLY TO THE GROWING PRESSURE IN THE MONTHS AHEAD TO PUT MORE NORWEGIAN CONTENT INTO THEIR OPERATIONS. AND PERHAPS AS IMPORTANT, THEY UNDERSTAND THAT MUCH MAY BE GAINED BY BEING SEEN PUBLICLY AS HAVING SOME SYMPATHY FOR THE GON'S GOALS. BREMER

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